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Message Text

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ACTION IO-10

INFO OCT-01 IOE-00 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

OIC-02 AID-05 EB-07 COME-00 LAB-04 SIL-01 TRSE-00

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AF-06 ARA-10 EA-10 EUR-12 NEA-09 SS-15 NSC-05 AGR-10

EPA-04 CEQ-01 OES-05 /132 W
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O R 141744Z APR 75
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 5352
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UNCLAS SECTION 1 OF 2 VIENNA 3155

E.O. 11652: N/A
TAGS: UNIDO, EAID, OCON
SUBJECT: UNIDO - IDB-IX - AGENDA ITEM 5(A): ANNUAL REPORT OF THE EXECUTIVE DIRECTOR

REF: STATE 080111

SUMMARY. FOLLOWING IS DRAFT POSITION PAPER ON IDB-IX AGENDA ITEM 5(A) SUBMITTED PURSUANT REFTEL FOR DEPT'S APPROVAL. END SUMMARY.

1. BACKGROUND: THE ANNUAL REPORT OF THE EXECUTIVE DIRECTOR FOR 1974 (ID/B/150) IS ANALOGOUS IN FORMAT, CONTENT, AND LENGTH TO THE FIRST REPORT OF THIS KIND SUBMITTED TO IDB-VIII. AN IMPORTANT DIFFERENCE IN CONTENT IS THAT THE 1973 REPORT INCLUDED EXTENSIVE HISTORIC BACKGROUND INFORMATION ABOUT UNIDO, ITS ESTABLISHMENT AND ITS ACTIVITIES. THE 1974 REPORT ATTEMPTS TO PROVIDE INTER ALIA A FOLLOW-UP ACCOUNT OF THE PROJECTS AND ACTIVITIES DESCRIBED IN THE 1973 REPORT. THE DESCRIPTION OF THE WORK CARRIED OUT IN 1974 FOLLOWS
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THE PATTERN OF THE 1974-75 PROGRAM/BUDGET. HOWEVER,

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SINCE THIS REPORT WAS COMPLIED LARGELY DURING THE
PERIOD OF TURNOVER OF THE EXECUTIVE DIRECTORSHIP FROM
ABDEL RAHMAN TO DR. KHANE, IT DOES NOT BEAR THE
IMPRINT OF UNIDO'S NEW LEADERSHIP.

2. U.S. POSITION:

A. THE US DEL MAY JOIN IN NOTING THE REPORT OF
THE EXECUTIVE DIRECTOR;

B. WHILE COMMENDING THE SECRETARIAT FOR THE AMOUNT
AND DETAIL OF INFORMATION CONTAINED IN THE REPORT AND
FOR THE FACT THAT IT ATTEMPTS TO TAKE INTO ACCOUNT
SOME OF THE SUGGESTIONS MADE BY DELEGATIONS AT IDB-VIII,
THE US DEL MAY SUGGEST THAT THE REPORT WOULD BETTER
SERVE TO ASSIST THE BOARD IN DISCHARGING ITS RESPONSIBILITIES
AS UNDO'S GOVERNING BODY IF IT INCLUDED AN INTRODUCTORY CHAPTER
WHICH WOULD BE POLICY ORIENTED, DISCUSS BRIEFLY THE MAJOR ACCOMP-
LISHMENTS OR THE SHORTCOMINGS OF THE ORGANIZATION DURING THE PAST
YEAR, LAY OUT WHAT THE EXECUTIVE DIRECTOR HOPED TO
ACCOMPLISH OVER THE COMING YEAR AND HOW HE PROPOSED
TO DO THIS WITY THE RESOURCES PROSPECTIVELY AVAILABLE.
THE TYPE OF REPORT PRODUCED BY THE EXEC. DIR. FOR
IDB-VII MAY BE CITED AS AN EXAMPLE OF THE KIND OF
OVERALL LOOK AT THE ORGANIZATION THAT WOULD HELP PITCH
THE REPORT TO A POLICY-LEVEL DISCUSSION IN THE BOARD.

C. THE DELEGATION MAY INVITE THE SECRETARIAT
TO EXPLAIN THE MEANING OF THE STATEMENT WHICH
OCCURS IN CHAPTER II, PARA 2, IN CONNECTION WITH A
DISCUSSION OF UNIDO'S FIELD OPERATIONS THAT THE TIME EXPENDED
IN PREVIOUS YEARS ON EFFORTS TO ACHIEVE PERFECTION IN THE METHODS
AND PROCEDURES OF PROJECT FORMULATION AS WELL AS IN
THE MECHANICS OF PROJECT IMPLMENTATION WILL HAVE TO
BE RECOVERED IF AN EFFECTIVE BALANCE IS TO BE ACHIEVED
BETWEEN THE DEVELOPING COUNTRIES' NATURAL EVOLUTION
AND THE CONTRIBUTION BY THE UN SYSTEM TO THEIR DEVELOPMENT.

D. US DEL MAY REQUEST COMMENT FROM THE SECRETARIAT
AND/OR FROM THE UNDP REP OF THE STATEMENT CONTAINED IN
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CHAPTER II, PARA 7, THAT COUNTRY BRIEFS IN THE
FPRESENT FORM WILL LIKELY NOT BE REQUIRED FOR THE
PREPARATION OF THE SECOND COUNTRY PROGRAMMING CYCLE. IN
GENERAL, THE UNDP REP MIGHT BE INVITED TO COMMENT
(1) ON THE OBSERVATIONS CONTAINED IN CHAPTER II, PARA 10,
WHICH ARE CRITICAL OF THE PROCESS OF SELECTING PROJECTS
FOR INCLUSION IN THE COUNTRY PROGRAMS; (2) ON THE
REACTIONS OF UNDP TO THE SUGGESTIONS SUBMITTED BY

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UNID ON PROCEDURES FOR THE NEXT CYCLE OF COUNTRY PROGRAMMING (PARA 11; (3) ON THE QUESTION OF WHAT FUTURE ACTION THE UNDP ADMINISTRATOR ENVISAGES WITH RESPECTS TO THE PROBLEM OF THE GAP BETWEEN ACTUAL OVERHEAD COSTS AND PAYMENTS TO EXECUTING AGENCIES (PARA 21). IN THIS CONNECTION THE US DEL MAY NOTE THE FACT THAT THE REPORT (PARA 22) HIGHLIGHTS THE IMPACT OF MAY SMALL PROJECTS ON THE OVERHEAD COST PROBLEM AND SUGGEST THAT FURTHER IMAGINATIVE THOUGH NEEDS TO BE GIVEN TO THIS PROBLEM.

E. THE SECRETARIAT SHOULD BE GIVEN RECOGNITION FOR THE ACCOMPLISHMENT NOTED IN PARA 29 - AN INCREASE IN THE AMOUNT OF ASSISTANCE UNDER IPF DELIVERED DURING 1974 BY UNIDO OF 27 PERCENT COMPARED WITH AN OVERALL DECLINE OF ONE PERCENT IN TECHNICAL ASSISTANCE DELIVERY UNDER IPF BY ALL AGENCIES TAKEN TOGETHER.

F. THE USDEL MAY NOTE WITH APPROPRIATE SURPRISE THE LANGUAGE EMPLOYED IN PARS 88-90 WHICH SPEAKS OF THE DEVELOPED COUNTRIES "INTENSIFYING INFLATION," "CREATING A RECESSION" AND "IMPOSING" ON THE ECONOMICES OF AFRICA, MONETARY INSTABILITY AND WORLDWIDE INFLATION COUPLED WITH RECESSION.

G. THE US DEL MAY (1) COMMEND THE ATTENTION BEING GIVEN TO THE AGRICULTURAL MACHINERY AND IMPLEMENTS FIELD AND TO PROBLEMS OF FOOD STORAGE FACILITIES (CHAPTER III, PARAS 20-23); (2) AGREE WITH THE EMPHASIS ON THE IMPORTANCE OF MAINTENANCE AND REPAIR OF EXISTING FACILITIES; (3) AGREE THAT CHANGING ECONOMIC CONDITIONS MAY WELL INDICATE NEW OPPORTUNITIES FOR THE ESTABLISHMENT OF HEAVY
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METALLURGICAL INDUSTRIES IN DEVELOPING COUNTRIES
ON THE BASIS OF COMPARATIVE ADVANTAGE BUT COMMENT THAT THESE
POSSIBILITIES SHOULD BE CAREFULLY EXPLORED (PARA 43):
(4) COMMEND THE ATTENTION TO HELPING DEVELOPING
COUNTRIES INCREASE THEIR FERTILIZER PRODUCTION
FACILITIES BUT ASK FOR MORE INFORMATION ON THE PROPOSED
PROMOTION OF FERTILIZER DEVELOPMENT CENTERS (PARA 124)
SINCE THIS ACTIVITY DOES NOT APPEAR TO HAVE BEEN THE
SUBJECT OF PRIOR DISCUSSION IN THE BOARD; IN THIS
CONNECTION THE US DEL MAY NOTE THE EXISTENCE OF THE
INTERNATIONAL FERTILIZER DEVELOPMENT CENTER IN THE US.

H. THE US DEL MAY NOTE WITH APPROVAL THE CHARACTERIZATION
IN CHAPTER III, PARA 195, THAT THE NOTION
THAT ENVIRONMENTAL DAMAGE CAN BE AVOIDED ONLY AT HIGH COST
TO THE ECONOMY IS A POPULAR FALLACY.

I. THE US DEL MAY ASK FOR FURTHER DETAILS ON THE
INDUSTRIAL EQUIPMENT AND RELATED TECHNOLOGY INFORMATION
REFERRAL SERVICE TO BE DEVELOPED WITH THE ASSISTANCE
OF PRODUCERS OF INDUSTRIAL EQUIPMENT (CHAPTER IV,
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PARAS 7-9).

J. THE US DEL MAY COMMENT IN RELATION TO CHAPTER V
(PARAS 4, 8, 9, 14, 17) THAT, NOW THAT THE DEMANDS
OF THE LIMA CONFERENCE FOR DOCUMENTATION HAVE BEEN MET,
THE IPP DIVISION SHOULD BE ABLE TO DEVOTE MORE OF ITS
ATTENTION TO PROBLEMS OF INDUSTRIAL STRATEGIES
AND POLICIES OF INDIVIDUAL COUNTRIES OR GROUPS OF

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COUNTRIES IN SIMILAR SITUATIONS PURSUANT TO
RECOMMENDATION I OF THE AD HOC COMMITTEE ON LONG-RANGE
STRATEGY AND TO ENSURING THAT UNIDO'S INPUT INTO
UNDP COUNTRY PROGRAMMING RESTS ON A SOLID BASIS
OF ANALYSIS OF INDISTRIAL DEVELOPMENT POSSIBILITIES
AND PRIORITIES IN THE RECIPIENT COUNTRIES. IN THIS
CONNECTION, THE US DEL MAY NOTE WITH SATISFACTION
THAT UNIDO IS STUDYING EXISTING SCHEMES AND POSSIBLE
MODELS FOR INDISTRIAL COOPERATION AT REGIONAL AND
SUBREGIONAL LEVELS (PARA 32) PURSUANT TO THE
RECOMMENDATIONS OF THE AD HOC COMMITTEE.

K. THE US DEL MAY INVITE THE SECRETARIAT TO
GIVE MORE DETAILS ON HOW THE QUARTERLY REVIEW MEETINGS
"INELUCTABLY LEAD TO AN IMPROVEMENT IN THE
POLICIES AND PROCEDURES OF UNIDO". (CHAPTER VI, PARA
16).

L. THE US DEL MAY NOTE WITH APPROVAL THE FACT
THAT A JOINT UNIDO/UNDP EVALUATION EXERCISE IS FOCUSING
INITIALLY ON 25 PROJECTS CONCERNING ASSISTANCE IN THE
FIELD OF INDISTRIAL STRATEGIES, PROGRAMS AND POLICIES,
GIVEN THE IMPORTANCE ATTACHED TO THIS FIELD BY THE
AD HOC COMMITTEE (PARAS 21-24).

M. THE TREATMENT OF THE PROBLEM OF OVERHEAD
COSTS (CHAPTER VII, PARAS 10-14) WHICH PURPORTS
TO SHOW (1) THAT FOR EVERY $1,000 OF PROJECT DELIVERY
UNIDO RECEIVES ONLY $130 IN OVERHEAD PAYMENTS AND
HAS TO FINANCE THE BALANCE OF $182 FROM ITS REGULAR
BUDGET (2) THAT THE AMOUNT BORNE BY UNIDO'S REGULAR
BUDGET FOR THIS PURPOSE IS ESTIMATED TO BE
$3.5 MILLION IN 1974; AND (3) THAT EVEN WITH RECENT
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UNDP ADJUSTMENTS IN THE OVERHEAD FORMULA, UNIDO IS
EXPECTED TO RUN A CUMULATIVE DEFICIT OF SOME
$5 MILLION BY THE END OF 1977, MAY WELL GIVE RISE
TO DISCUSSION AND PROPOSALS FOR RECOMMENDATIONS
FROM IDB-IX FOR DEALING WITH THIS PROBLEM. CALLING
FOR GREATER EFFICIENCY IN PROJECT EXECUTION AND
REDUCTION IN THE PROPORTION OF SMALL PROJECTS (A
POINT TO WHICH THE SECRETARIAT ITSELF HAS CALLED THE
ATTENTION OF RECIPIENT GOVERNMENTS) WILL
BE ONLY PART OF THE ANSWER AND MAY WELL BE REGARDED
AS INSUFFICIENTLY FORTHCOMING BY THE DEVELOPING
COUNTRIES WHICH CANNOT BE EXPECTED TO TAKE
KINDLY TO POSSIBLE SUBSTANTIAL REDUCTIONS IN UNIDO
STAFF IN ORDER TO ELIMINATE THE PROSPECTIVE DEFICIT
ON OVERHEAD ACCOUNT. (NOTE-DEPT. IS REQUESTED TO

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INDICATE TO US DEL ANY FURTHR POSSIBLE STEPS
IT ENVISAGES FOR DEALING WITH THIS PROBLEM.

N. CHAPTER IX OF THE REPORT-PROSPECTS
FOR THE FUTURE--USES THE PRESENTATION OF FORECASTS
WITH RESPECT TO THE ANTICIPATED GROWTH OF UNIDO'S
OPERATIONAL WORKLOAD OVER THE NEXT COUNTRY PROGRAMMING
CYCLE (UNIDO IS ESTIMATED TO BE RESPONSIBLE FOR THE
IMPLEMENTATION OF SOME $300 MILLION WORTH OF UNDP
PROJECTS IN THE PERIOD 1977-81) AS
ANOTHER OPPORTUNITY TO ARGUE THE NED FOR
MORE RESOURCES (PARAS 5-11). IN PART, THE DISCUSSION
IN THIS CHAPTER RELATES TO THE QUESTION OF OVERHEAD
COSS ADDRESSED IN THE IMMEDIATLY PRECEDING
PARAGRAPH OF THIS POSITION PAPER. IN PART IT
RELATES TO THE BROADER QUESTION OF THE RESOURCES
TO BE MADE AVAILABLE TO UNIDO THROUGH ITS REGULAR
BUDGET. THE US POSITION ON THIS QUESTION, AS IT
RELATES TO THE NEXT BIENNIUM, IS COVERED IN THE
POSITION PAPER ON THE UNIDO PROGRAM/BUDGT FOR 1976-77.
BEYOND THAT IT WOULD NOT BE USEFUL FOR THE DELEGATION
TO INDICATE WHAT MIGHT BE THE VIEWS OF THE US AS
TO APPROPRIATE LEVELS OF FUTURE UNDP/UNIDO BUDGETS,
NOR WOULD IT BE DESIRABLE TO SUBSCRIBE TO BROAD
ECOMMENDATIONS ON THE NEED FOR MORE RESOURCES
THAT WOULD PREJUDICE THE EVENTUAL POSITION THE
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US MIGHT WISH TO TAKE ON THIS MATTER.

3. NOTE THAT ID/B/150 ALSO COVERS AGENDA ITEM 8. STIBRAVY

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